

No. 22071

IN THE

**United States Court of Appeals**  
FOR THE NINTH CIRCUIT

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VOLKSWAGENWERK AKTIENGESELLSCHAFT,

*Appellant,*

*vs.*

DOUGLAS D. CHURCH, doing business as MODERN SPECIALIST,

*Appellee.*

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**BRIEF FOR APPELLEE.**

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**FILED**

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## TOPICAL INDEX

	Page
Jurisdictional Statement .....	1
Preface .....	3
Summary of Argument .....	4
Argument .....	6
I.	
Public Policy Endorses and Encourages Fair Competition .....	6
II.	
Church Has the Absolute Right to Use the Word "Volkswagen" Etc., in Advertising That He Specializes in the Repair and Service of That Type Car .....	8
The Applicable Law .....	8
Factory Parts .....	13
Volkswagen Repair and Service .....	14
Reasonable Precautions .....	17
Independents Are Also Qualified Facilities .....	18
Use of Silhouette .....	19
III.	
Commencing in 1959, All Forms of Advertising Have Been Denotive and Not Proprietary .....	23
Chronology of Events .....	23
A. Church's History of Experience Prior to Going Into Business for Himself .....	23
B. Church's History and Entry Into His Own Business .....	25
C. Telephone Directory Ads .....	26

	Page
D. Repair Order Forms .....	33
E. Pole Sign .....	34
F. Truck .....	35
G. Business Cards .....	35
H. Sign on Building Face .....	36
I. Give-Aways .....	37
J. Miscellaneous .....	38
K. Napkins Sold to Church by Authorized VW Agency .....	38
L. Authorized VW Agencies Send Their Work to Church and to Buy VW Parts From Him .....	39
M. Church's Shop Fully Equipped .....	40
N. Plaintiff Has No Complaints About Church's Work .....	41
O. Complaints Received About Independents and About Authorized Facilities .....	42
P. Plaintiff's Reputation for Repair and Service .....	43
Q. The Meaning of the Word "INDE- PENDENT" and Its Unique Significance..	47
R. Distinct Difference in Appearance of Church's Premises .....	55
S. Control by Plaintiff Over Its Family, and Uniform Appearance of Family Premises, Signs and Forms .....	56
T. Advertising Data on Behalf of Plaintiff; Use of the Word "AUTHORIZED" and of Encircled VW Emblem .....	59
U. "Volkswagen Service" Is Descriptive and Not Proprietary .....	63

	IV.	Page
Comments on Plaintiff's "Specification of Errors Relied Upon" .....	64	
A. Specification I .....	64	
B. Specification II .....	65	
C. Specification III .....	65	
D. Specification IV .....	65	
E. Specifications V and IX .....	66	
F. Specification VI .....	67	
G. Specification VII .....	67	
H. Specifications VIII, X, and XI .....	68	
Summary .....	68	
Conclusion .....	74	

## TABLE OF AUTHORITIES CITED

	Cases	Page
Academy of Motion Pictures, etc. v. Benson, 15 Cal. 2d 685 .....	15 6	
Alhambra Transfer and Storage v. Muse, 41 Cal. App. 2d 92 .....	7	
Alligator Co. v. Ciarochi, 141 F. Supp. 806 ..20, 21		
American Waltham Watch Company v. U.S. Watch Co., 173 Mass. 85, 53 N.E. 141 .....	17	
Auto Fidelity, Inc. v. High Fidelity Recordings, Inc., 283 F. 2d 551 .....	6	
Castle v. Seigfried, 103 Cal. 71 .....	7	
Columbia Pictures Corp. v. National Broadcasting Company, 137 F. Supp. 348 .....	7	
D & W Food Corp. v. Graham, 134 Cal. App. 2d 668 .....	7	
Dayton v. Imperial Sales and Parts Co., 195 Mich. 397, 161 N.W. 958 .....	8	
Dodge Bros. v. East, 8 F. 2d 872 .....		
	8, 9, 11, 12, 68	
Edwards v. Velvac, Inc., 140 F. Supp. 936 .....	12	
Fiat, etc. v. Vaughan, 7 Misc. 2d 4, 166 N.Y.S. 2d 39, mod. aff. 5 App. Div. 2d 821, 170 N.Y. Supp. 2d 627 .....	15	
Fidelity Appraisal Company v. Federal Appraisal Company, 217 Cal. 307 .....	6, 7	
Fleischmann Distilling Corp. v. Maier Brewing Company, 314 F. 2d 149 .....	9	
Ford Motor Co. v. Boone, 244 Fed. 335 .....	9, 68	
Ford Motor Co. v. Helms, 254 F. Supp. 698 .....	9, 12, 68	

	Page
General Motors Corp. v. Smith, 138 U.S.P.Q. 382	14
Hager Potteries v. Gilner Potteries, 123 F. Supp. 261	6
Italian Swiss Colony v. Italian Vineyard Company, 158 Cal. 252	7
Mershon Co. v. Pachmyer, 220 F. 2d 879 cert. den. 350 U.S. 885	20
Prestonettes Inc. v. Coty, 264 U.S. 359	18
Purity Springs, etc. v. Redwood Ice, etc., 203 Cal. 286	6
Rixford v. Jordan, 214 Cal. 547	6
Schwartz v. Senderella Systems of California, 43 Cal. 2d 107	7
Scudder Food Products, Inc. v. Ginsbert, 21 Cal. 2d 596	7
Sears, Roebuck & Co. v. Johnson, 219 F. 2d 590	21
Sunbeam Furniture Corp. v. Sunbeam Corporation, 191 F. 2d 141	7
Sunlite Bakery v. Homekraft Baking Co., 119 Cal. App. 2d 148	7
Volkswagenwerk, etc. v. Frank, 198 F. Supp. 916	12, 16
Volkswagenwerk Aktiengesellschaft v. Volks City, Inc., 348 F. 2d 659	17
Yale & Towne Mfg. Co. v. Haber, 7 F. Supp. 791	9, 16

	Statutes	Page
Business and Professions Code, Sec. 17001 .....	6	
United States Code, Title 15, Sec. 1051 .....	2	
United States Code, Title 15, Sec. 1121 .....	2	
United States Code, Title 28, Sec. 1291 .....	2	
United States Code, Title 28, Sec. 1338 .....	2	
Textbooks		
47 California Jurisprudence 2d, Sec. 28, note 13 ..	7	
Nims, Unfair Competition and Trademarks (4th Ed.), Secs. 7-9 .....	6	
Restatement of Torts, Sec. 711 .....	6	
Restatement of Torts, Sec. 712 .....	6	

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**BRIEF FOR APPELLEE.**

---

**JURISDICTIONAL STATEMENT.**

This is an appeal by Volkswagenwerk Aktiengesellschaft, hereinafter referred to as "plaintiff", from a judgment in United States District Court for the Southern District of California, Central Division, rendered by the Honorable C. Nils Tavares and entered April 11, 1967, dismissing without costs a complaint for trademark infringement and unfair competition [CT 175-176].

Plaintiff is a corporation of the Federal Republic of Germany with its principal office of business at Wolfsburg Germany [CT 138]. Douglas D. Church, defendant in the court below and hereinafter referred to as "Church", is the owner and operator of an automobile repair shop in Long Beach, Los Angeles County,

California, specializing in the repair and service of Volkswagen and Porsche motor vehicles. He is a resident of Los Angeles County, California, and a citizen of that State [CT 138-139].

Plaintiff is the owner of the trade mark registration consisting of the word "Volkswagen", the letters, "VW", and an emblem consisting of the encircled "VW".

The court below had jurisdiction of the parties and the subject matter in that the action arose under the trademark laws of the United States and under the laws of unfair competition. It was brought pursuant to the Trademark Act of 1946, as amended, 15 U.S.C., Section 1051 *et seq.*, and the International Convention for the Protection of Industrial Property, signed at Paris on March 20, 1883, as revised at London, June 2, 1934, and at Lisbon, on October 31, 1958, 13 U.S. Treaties and Other International Agreements 1 (1962). Jurisdiction of the court was conferred by 15 U.S.C. Section 1121, and 28 U.S.C. Section 1338. Jurisdiction was also based on diversity of citizenship and on the fact that the matter of controversy exceeds the sum of \$10,000 exclusive of interest and costs.

Jurisdiction over this appeal is conferred on this Court by 28 U.S.C., Section 1291, which plaintiff has invoked by notice of appeal filed May 8, 1967 [CT 177].

## PREFACE.

One of the important facets of our American heritage, and one which has helped to make our country strong and healthy, is the right to engage in business and to lawfully compete with others who are similarly engaged.

The instant case involves the very root of our system of free enterprise and poses an example of a threat thereto. The plaintiff-appellant, a German corporation engaged in the manufacture of a small, inexpensive, popular line of motor vehicles, is herein attempting to virtually eliminate lawful competition by preventing independent repair and service facilities who specialize in the repair and service of its product from advertising to the public that they so specialize. Plaintiff implements its plan by attempting to prevent the independent facilities from using the name given by plaintiff to its products.

Plaintiff has characterized Church as a person who has capitalized on the reputation and goodwill of plaintiff without plaintiff's authority, and who has acted in direct contravention of plaintiff's rights. In truth, Church is a motor car enthusiast with sufficient initiative and ability to establish himself in an independent repair and service business specializing in the repair and service of motor vehicles manufactured by plaintiff and has attempted in no way to capitalize wrongfully upon the reputation and goodwill of plaintiff. Church has, in fact, for many years advertised to the public in general that his repair and service facility is independent of plaintiff.

Church asks only that he be allowed to continue fairly competing with plaintiff and its family, that he be allowed to continue advertising to the public that he is "An Independent Volkswagen and Porsche Service Center", and that he be allowed to continue rendering the high quality of service which has made his independent facility so popular to the owners of plaintiff's products that the members of plaintiff's family located in Church's area of influence have felt his competition.

#### SUMMARY OF ARGUMENT.

##### I.

Church does not deny that plaintiff has established a good reputation for the manufacture of its product, the Volkswagen motor vehicle. The trademarks owned by plaintiff have come to mean in the mind of the public that there is but one source for such vehicles, plaintiff. But such is not the case for *service* or *repair*. Plaintiff did not introduce one item of evidence to support its erroneous conclusion that only plaintiff can render "Volkswagen repair" and "Volkswagen service". Church has, however, introduced numerous items of evidence which clearly indicates that there are two sources of Volkswagen repair or service—(1) plaintiff's family or authorized agencies, and (2) independent Volkswagen repair and service facilities.

##### II.

Church, as an independent Volkswagen repair and service shop, has the absolute right to advertise to the public in general that he specializes in the repair and

service of plaintiff's product, that he has a complete stock of factory parts, and that he has a modern fully equipped shop. The evidence is uncontradicted that such are the facts, and plaintiff failed totally to establish otherwise.

### III.

Church has at all times since 1959 when he changed the name of his business to "Modern Specialist" used the word "Volkswagen" and the initials "VW" in a denotive sense in advertising to the public that he renders "Volkswagen repair", "Volkswagen Service", "VW Repair", "VW Service". Church has gone one step further by proudly announcing that he is "AN INDEPENDENT VOLKSWAGEN & PORSCHE SERVICE CENTER." His premises are totally different from authorized agencies in size, shape, color; he has no new or used car sales facilities; his signs are totally different in size, shape, color combinations and content; and his classified telephone ad and all give-aways clearly spell out that he is "AN INDEPENDENT VOLKSWAGEN & PORSCHE SERVICE CENTER".

be considered in determining whether unfair competition was present. Nor did it commit error in refusing to issue to an injunction against Church in the absence of a likelihood of public confusion. The "intent" of Church is easily obtained in view of the evidence that several years in advance of the filing of this action he undertook the affirmative in advising to the public in general through his classified advertisement and elsewhere that his business was "independent" of plaintiff.

## II.

CHURCH HAS THE ABSOLUTE RIGHT TO USE THE WORD "VOLKSWAGEN" ETC., IN ADVERTISING THAT HE SPECIALIZES IN THE REPAIR AND SERVICE OF THAT TYPE CAR.

### The Applicable Law.

The law is clear in the type of case that is now before this court:

1. Anyone may legally engage in the business of repairing and supplying new parts to old automobiles as freely as they can go into the grocery business (*Dayton v. Imperial Sales and Parts Co.*, 195 Mich. 397, at 404; 161 N.W. 958 (1917) at 960).

2. To constitute a trademark violation or an act of unfair competition, each practice alleged to constitute a violation of the rights of another must be considered in its total environment and subjected to the test of (a) is the use of the trademark proprietary or denotive? If proprietary, a violation *per se* exists, while if denotive, the further test must be applied and the question asked (b) is the use likely to lead to public deception? "Reasonableness" must be used in weighing the latter question by the trier of fact. (*Dodge Bros. v.*

*East*, 8 F. 2d 872 (E.D. N.Y. 1925); *Ford Motor Co. v. Boone*, 244 Fed. 335 (9th Cir. 1917); *Ford Motor Co. v. Helms*, 25 F. Supp. 698 (E.D.N.Y. 1938).

In addition to the automobile cases cited above, the rule is well stated in *Yale & Towne Mfg. Co. v. Haber* (E.D.N.Y. 1934), 7 F. Supp. 791 at 792:

“Of course, defendant may advertise that it repairs Yale locks, but must do so in a way not calculated to deceive the public into the belief that the business conducted by it is the business of plaintiff.”

Whether Church has used plaintiff’s name in a manner calculated to deceive the public is a question of fact. Precedents are not of much help in deciding an issue of this kind.

“It is elementary that in the decision of a case of this kind, involving the question of confusing similarity, each case must stand on its own facts and prior decisions are of little value.” (*Fleischmann Distilling Corp. v. Maier Brewing Company* (9th Cir. 1963), 314 F. 2d 149, at 160).

The word “Volkswagen”, and the initials or abbreviation “VW”, are the name and initials or abbreviation given to the car by the plaintiff. Everyone has the right to refer to the cars manufactured by plaintiff, by advertisement or otherwise, by the name and initials given to plaintiff’s product by plaintiff. The leading case in this regard is *Dodge Bros. v. East* (D.C.E.D.N.Y. 1925), 8 F. 2d 872. The *Dodge* case was instituted by Dodge Bros., the manufacturer of the Dodge car, against East, a used car dealer, for unfair competition, alleging that certain signs used by East

constituted acts of unfair competition as against Dodge. East was a used car dealer dealing exclusively in used Dodge cars, and operated a service station in connection therewith. The evidence showed that East used the following wording on his signs:

WM. V. EAST  
USED DODGE CARS  
EXCLUSIVELY

(Used at his service station)

814-WM. V. EAST  
SERVICE STATION-814  
REPAIRS  
for  
DODGE CARS

(Used on Letterhead)

WILLIAM V. EAST  
DODGE BROTHERS USED CARS  
EXCLUSIVELY  
WM. V. EAST  
DODGE DEALER  
1270 Bedford Ave.  
Brooklyn, N. Y.

The plaintiff, Dodge Bros., used in its advertisements the name "Dodge" in block type, in white letters on a very deep blue background, the letter "E" in the word "Dodge" having its middle stroke carried out slightly beyond the upper and lower stroke. At page 876 the court stated:

"Nor is this a 'trademark' case . . . Suffice it to state that plaintiff's product is known as a 'Dodge' car. By that name it alone can be fairly and properly described. If plaintiff had no definite and distinctive method of advertising its name, there would be no deception in its use, for, as said

in the case of *Vogue Company v. Thompson Hudson Company*, Supra, at page 511, while 'there is likely to be a considerable element of mistake on the part of purchasers who suppose that the use of the word indicates some connection with the magazine, it is a mistake for which plaintiff must carry the responsibility, because it chose as the name of its magazine a word which all are at liberty to use'. Thus it seems to me that an individual or a business concern could and must use the name 'Dodge' in describing which is in truth a 'Dodge' car. Where, however, it is not this name of its product, but an appropriation of a sign, adopted at great expense and over a long period of time, by plaintiff, for advertising its products, then the act of deception is in this intentional appropriation of this distinctive sign, not in the use of the name."

Again, the court stated at page 877:

"... it would seem that his sign at the service station should not have the name 'Dodge' in these white block letters, with or without the peculiar "E" on a blue background. He can, however, have the name 'Dodge' in some other form of letters. With this criticism I see nothing to forbid in his present service station advertisement."

The court made the same comment as to the use of the word "Dodge" at the main place of business. With regard to the letterhead, the court felt that "Dodge Dealer" was wrong.

The *Dodge* case sets out the applicable standards to be met. At page 877 the court stated:

"Summing up the whole matter, it seems to me that, when plaintiff claims the public has been de-

ceived, or is reasonably likely to be deceived, by the advertising of defendant, such deception must rest upon proof that defendant has appropriated something peculiarly belonging to plaintiff, and associated in the public's mind, by reason of expenditure of money and wide, continuous and uniform advertising, with plaintiff's business".

In view of the *Dodge* case it seems that three questions must be answered in the affirmative before the court should consider issuing an injunction which operates to prevent competition between the parties, namely, (1) has Church appropriated something peculiarly belonging to plaintiff, if so, then, (2) has that which has been appropriated become associated in the public's mind by reason of expenditure of money and wide, continuous and uniform advertising, with plaintiff's business, *i.e.*, a singleness of source for the product or *service*, and (3) is the method(s) used by Church in using that which peculiarly belongs to plaintiff likely to cause public confusion as to the source of the *service*?

The *Dodge* case has been followed recently in *Edwards v. Velvac, Inc.* (E.D. Wisc. 1956), 140 F. Supp. 936, and in *Volkswagenwerk, etc. v. Frank* (D. Colo. 1961), 198 F. Supp. 916. Another case, although not as much in point as the *Dodge* case, is *Ford Motor Co. v. Helms* (1938), 25 F. Supp. 698. Here the plaintiff moved for a temporary injunction. The defendant, a repair garage not specializing solely in the repair of Ford cars, installed a large vertical *neon sign* over the street in front of the building reading "FORD" in block letters; extending laterally therefrom and in letters somewhat smaller is the word "Repairs". Under the word "Repairs" on the lateral arm the sign contains the words "We Repair Ford Cars and Do Not Act

As Authorized Dealers". The qualifying words are also visible in daylight *but are not illuminated at night.* The court stated at page 699:

"(1) It is equally clear that defendants have the right to repair cars of the plaintiff's and other's manufacture, and to tell the public that such is their calling. But they may not do it under any guise which would create or reasonably tend to create the impression that they repair Ford cars only (if that is not the truth—and it was said not to be by their attorney at argument) as a Ford Service Station; or that they are authorized dealers in Ford cars."

The court then went on to state:

"Plaintiff seeks to protect its recognized goodwill and trademarks from the loss that might come to it through the false assumption by the owners of cars of its manufacturer, that the defendants maintain an authorized "service station" where repairs upon Ford cars are made by those who have been selected by the plaintiff as competent to do that; and where authentic parts of the plaintiff's manufacture are used for necessary replacements."

### Factory Parts.

Plaintiff contends that Church's classified telephone directory ad is further objectionable because of the implication that the parts sold by Church originate with the "factory", that Church buys his parts from Risdon, and "Risdon's parts, since they are not acquired from plaintiff (640) have never had to pass its exacting quality control like the parts sold by authorized dealers." Plaintiff's citation to its Exhibit 9e, pages 218-219 thereof, in no way supports the point it attempts to make. It is urged that the court read pages 218 to 219

of plaintiff's Exhibit 9e, as well as plaintiff's Exhibit 69 I. Plaintiff's citations aforementioned do not indicate that Risdon's parts are not subject to the exacting quality control as parts sold by authorized dealers. Further, there is no indication whatsoever in any part of the transcript or exhibits in evidence that Church only buys parts from Risdon. Plaintiff conveniently did not ask Church if he purchased parts from any sources other than Risdon. Risdon's testimony, which is uncontroverted, states that he sells *new* Volkswagen parts, consisting of basic engine parts, bearings, and transmission parts. He does not acquire them from the Volkswagen factory, because the factory does not manufacture these parts. He acquires them from the same people from whom the Volkswagen factory purchases them [RT 639, line 23, to 640, line 16]. Further, the testimony of Mr. Michael Sanyour, Jr., vice-president of Volkswagen of America, supports the testimony of Mr. Risdon. Mr. Sanyour testified that the Volkswagen factory sub-contracts and allows others to manufacture and make special tools, other tools, and components of the Volkswagen product, and that such is a standard practice [RT 136, lines 6-24]. Thus, it can be seen that the parts sold by Church to his customers are, in fact, the same parts that the plaintiff purchases and which are ultimately distributed to plaintiff's family of authorized agencies and, in turn, sold to their customers.

#### **Volkswagen Repair and Service.**

Plaintiff has cited the case of *General Motors Corp. v. Smith*, 138 U.S.P.Q. 382 (S.D. Cal. 1963) in its "Brief for Appellant" at pages 33, 36, 41, 43, and 45, as supporting the proposition that an injunction should be issued because Church has used in his advertisements the terminology "Modern Volkswagen

Porsche Service". Plaintiff informs the court that an injunction was obtained prohibiting the defendant from using the name "Smith's Chevrolet Service". Plaintiff did not advise the court that the defendant in that case had been representing that he was an authorized Chevrolet dealer, and that he had been using the trademarked Chevrolet emblem. The injunction which was issued prevented the defendant from using the word "Chevrolet" as part of his firm or business name, or any other manner likely to cause public confusion, and from representing that he is an authorized Chevrolet dealer. A reading of plaintiff's summary of the case would indicate that it involved only the use of the firm or business name "Smith's Chevrolet Service", when in fact it involved a flagrant violation of the General Motors trademark "Chevrolet" (an artful fanciful name), the Chevrolet emblem, and representations made by the defendant that he was an authorized Chevrolet dealer. The only similarity between the instant case and the case cited by plaintiff aforementioned is that in 1958 Church used the word "Volkswagen" as part of his business name.

Plaintiff commits a similar error in its citation to *Fiat, etc. v. Vaughan*, 7 Misc. 2d 4, 166 N.Y.S. 2d 39, modified and affirmed, 5 App. Div. 2d 821, 170 N.Y. Supp. 2d 627 (1st. Dept. 1958), in its "Brief for Appellant" at pages 33, 36, 41, and 45. Plaintiff represents to the court that the defendant was ordered not to use the name "Fiat" *in any manner whatsoever* in connection with his business." (Emphasis added). Plaintiff failed to advise the court that the order preventing the defendant from using the name "Fiat" was limited solely to its *method* of use in the telephone directory. A reading of plaintiff's summary of the case would lead the reader to believe that the defendant could not use the name "Fiat" in any manner whatsoever *under any circumstances*.

On page 45 of its "Brief for Appellant" plaintiff cites *Yale & Towne, etc. v. Haber*, 7 F. Supp. 790 (E.D. N.Y. 1934), as authority for the proposition that a non-enfranchised service establishment could not use the terminology "Yale Lock Service" in the local telephone directory. Plaintiff omitted to inform the court that the defendant also falsely advertised that he was "Manufacturer's Agent for Yale" along with his other methods of advertising. Again, this sort of advertisement constitutes a flagrant violation of plaintiff's trademark "Yale."

On page 33 of its "Brief for Appellant", plaintiff cites *Volkswagenwerk G.m.b.H. v. Frank*, 198 F. Supp. 916 (D. Col. 1961), as standing for the proposition that a non-enfranchised service station specializing in the sale or repair, or both, of the products of a particular automobile manufacturer engages in a trademark infringement or unfair competition, or both, if he uses or imitates the manufacturer's name or mark in his trade name, or uses such mark to identify himself or his services. Not only is plaintiff's basic premise erroneous, but it fails to set forth the facts of the *Frank* case. The *Frank* case involved the sale of Volkswagen cars, and the use by the defendant of the firm or business name "VOLKSWAGEN CAR CENTER LTD.", "VOLKSWAGEN SALES AND SERVICE, INC.", "VOLKSWAGEN GERMAN MOTOR COMPANY", "VOLKSWAGEN FOREIGN CAR CENTER", and a bold display and the free use of the encircled VW emblem, etc. In the instant case, it is not contested that the public does not associate the word "Volkswagen" the initials "VW", and the encircled WV emblem with a *product* of high quality. However, again, in the instant case we are *not* dealing with the sale of a *product*, but with the rendition of a *service* to that product by an in-

dependent repair and service facility who has not used the type of firm name or names present in the *Frank* case. In the instant case, plaintiff has failed to present any testimony whatsoever that the public associates any of the foregoing names or symbols with a singleness of source for the rendition of repair or service.

Similarly, plaintiff has cited in its "Brief for Appellant", at pages 33 and 36, *Volkswagenwerk Aktiengesellschaft v. Volks City, Inc.*, Civil No. 403-64, D.N.J., June 23, 1964, affirmed, 348 F. 2d 659 (3rd Cir. 1965). In this case the defendant used the firm or business name "Volkswagen City" and "Volks City" as well as the terminology on business cards "NEW JERSEY'S LARGEST VOLKSWAGEN DEALER", together with other clearly objectionable language. Again, the *Volks City* case involved a factual circumstance not present here.

### Reasonable Precautions.

At pages 29 and 52 of its "Brief for Appellant" plaintiff cites *American Waltham Watch Company v. U.S. Watch Co.*, 173 Mass. 85, 53 N.E. 141 (1899), as standing for the proposition that "reasonable precautions must be taken to avoid confusion" when using a term which has come to identify another's business or products. The case cited is in point. The court states that it is pretty well settled that the plaintiff merely on the strength of having been first in the field may put later-comers to the trouble of taking such reasonable precautions as are *commercially practical to prevent their lawful names and advertisements from deceitfully diverting the plaintiff's custom.*" (Emphasis added.) Church has gone beyond the "reasonable precautions" requirement spelled out in the *Waltham* case, and has proudly advertised the fact that he is

## “AN INDEPENDENT VOLKSWAGEN AND PORSCHE SERVICE CENTER”.

The United States Supreme Court in *Prestonettes Inc. v. Coty*, 264 U.S. 359 (1924), apparently recognized that the word “INDEPENDENT” adequately described the fact that the business using that word is not franchised or authorized by a trademark or trade name owner. The court required the defendant, a repackager, to use on his label, “Prestonettes, Inc., Not Connected with Coty, states that the contents are Coty’s (giving the name of the article) *independently* rebottled in New York.” (Emphasis added). Of course, in the instant case, we are not concerned with Church adopting any trade name belonging to plaintiff as a trade name for Church.

### Independents Are Also Qualified Facilities.

Commencing on page 7 of plaintiff’s “Brief for Appellant” under the headings “What is ‘Volkswagen’”, and “The Goodwill Created for Volkswagen Products and ‘Volkswagen Service’” and later at page 60 under the heading “The meaning of ‘Volkswagen service’ in Southern California”, the plaintiff suggests quite clearly that only the services rendered by companies operating under the aegis and control of plaintiff, with mechanics trained by plaintiff, employing tools developed by plaintiff, using repair parts subject to plaintiff’s quality control, working under the guidance of plaintiff’s service literature and supervised by personnel approved by plaintiff, may properly use plaintiff’s trademark to identify and describe the business they conduct and services they sell. If this suggestion is to be given full weight, which I am sure the plaintiff did not intend, then there are several authorized Volkswagen agencies who are not entitled to use

plaintiff's trademarks to identify and describe the business they conduct and the services they sell. Why? Because Al Tatti, an authorized Volkswagen agency in Downey sends its cars to Church for transmission overhauls, and Greene Motors, an authorized Volkswagen agency in Norwalk, sends its Volkswagens to Church for tune-ups, transmission work, and front end rebuilding [RT 914, line 16, to 916, line 9]; Lee Carpenter, an authorized Volkswagen agency in Compton and Rickets Motors, an authorized Volkswagen agency in Long Beach, purchase Volkswagen parts from Church [RT 913, line 18, to 914, line 12]; and authorized Volkswagen agencies send their wheel and suspension work to Tyerman, an independent, for the repair thereof [RT 704, line 21, to 706, line 2]. Can it be possible that the glorious goals, spelled out by plaintiff in its various contracts, and testified to by Mr. Sanyour, Vice-president of Volkswagen of America, Mr. Metz, Zone Service Manager for Volkswagen of America, and Mr. Christiensen, Director of Service for Volkswagen Pacific, Inc., are not implemented at the agency level? Is it possible that there are faults in the German Volkswagen regime?

### Use of Silhouette.

In the first paragraph commencing on page 15 of plaintiff's "Brief for Appellant", plaintiff mentions that in Church's classified telephone ad there appears a silhouette of two cars, one of which is recognizable as the small Volkswagen sedan. Plaintiff chooses to overlook the balance of the information appearing on the classified ad, and objects to the use of a silhouette of the sedan. It is true that Church, together with many other independent Volkswagen repair and service facilities, as well as numerous other repair and service facilities that do not specialize solely in the repair

of the Volkswagen product line, have used, and are now using, the silhouette of a Volkswagen in one or more forms of advertising. The independent facilities have done this for years, and Church has done it for at least four to six years prior to the institution of this law suit. However, the method of use of the silhouette of a Volkswagen by Church, as well as by the other independent repair and service facilities, is not violative of the rights of plaintiff.

Plaintiff has no trademark in the silhouette of a Volkswagen. It can only obtain an exclusive right to the use of a silhouette of its product *if* the method of use by an independent of the silhouette or picture when translated into word form, would constitute a violation of plaintiff's alleged trademark or trade name. In *Mershon Co. v. Pachmyer*, 220 F. 2d 879 (9th Cir. 1955), *Cert. den.* 350 U.S. 885 (1955), two parties were involved each of whom manufactured a rifle recoil pad. The plaintiff identified its recoil pad by the use of the words "White Line". After plaintiff had been using those words to identify its product, defendant actually placed a white line on its recoil pads. The court, and properly so, stated that the use of a white line was the equivalent of the word identification "White Line", and therefore enjoined the defendant from its conduct.

Again, in *Alligator Co. v. Ciarochi*, 141 F. Supp. 806 (E.D. Pa. 1956) a similar question arose. Plaintiff manufactures raincoats and coats and defendant manufactures belts and accessories. Plaintiff used the trademark "Alligator" on its products and the defendant used the trademark "Styligator" or a picture or a representation of an alligator in its product. The court felt that the use of the picture of the alligator on the product manufactured by the defendant constituted an

infringement of the trademark of the plaintiff in the word form of "Alligator". In the instant case, Church does not manufacture any products whatsoever. He renders only a service. The use by Church of the silhouette of a Volkswagen in his classified telephone directory ad is only a small part of that ad, and the entirety of the ad should be looked at in order to determine whether the ad is violative of any rights of plaintiff. The silhouette is used only for the purpose of attracting the attention of a classified telephone directory user who is seeking to determine where a repair facility is located which specializes in the Volkswagen product line. If nothing else appeared on the ad but the silhouette of the Volkswagen, plaintiff might be correct in its contention. However, again, plaintiff's view point that each part of an entire ad must be looked at separately, is not correct. The large, bold, print adopted by Church for many years "AN INDEPENDENT VOLKSWAGEN & PORSCHE SERVICE CENTER", clearly qualifies and explains to the reader that Church is not franchised by plaintiff. It further informs the reader that Church renders service and repair to the Volkswagen product line, and, in addition, the Porsche product line [the ad also carries a picture of a Porsche; Deft. Ex. F].

In the *Alligator Co.* case, at pages 808 to 809, the court quoted the text of the test set forth in *Sears, Roebuck & Co. v. Johnson*, 219 F. 2d 590 to 592:

"... The Restatement of the Law of Torts, Sec. 729 (1938), sets forth the generally accepted factors to be considered in determining whether a particular designation is confusingly similar to another's trade name:

"(a) the degree of similarity between the designation and the trademark or trade name in

- “ ‘(i) appearance;
- “ ‘(ii) pronunciation of the words used;
- “ ‘(iii) verbal translation of the pictures or designs involved;
- “ ‘(iv) suggestions;
- “ ‘(b) the intent of the actor in adopting the designation;
- “ ‘(c) the relation in use and the manner of marketing between the goods or services marketed by the actor and those marketed by the other;
- “ ‘(d) the degree of care likely to be exercised by purchasers.’ ”

Taking the test set forth above, it is probably true that the picture or silhouette of a Volkswagen would remind the person looking thereat of the word “Volkswagen”. There is little similarity in appearance, however. Pronunciation of the words used is not relevant in the instant case. Verbal translation of the silhouette or picture involved has just been noted. Looking at the picture or silhouette suggests to the viewer the word “Volkswagen”. Church's intent in adopting the designation is to aid the viewer in picking out a repair or service facility specializing in the repair and service of the Volkswagen product line. The relation in use and manner of marketing between the services of Church and the services rendered by plaintiff's authorized Volkswagen agencies has been the subject of much testimony. The advertisements appearing in the classified section of the telephone directories on behalf of authorized Volkswagen agencies is not the method recommended by plaintiff, but is a local method adopted by the agencies. In such ads the local authorized agencies use the encircled VW emblem together with the words “AUTHORIZED” in describing their facil-

ties. The numerous independent facilities have historically used, as is evident from the exhibits in evidence, the picture and/or silhouette of the various products which they specialize in, and do not use the word "AUTHORIZED" nor the manufacturer's emblem. Further, Church clearly spells out in large letters that he is "AN INDEPENDENT VOLKSWAGEN & PORSCHE SERVICE CENTER". The degree of care likely to be exercised by purchasers has been evidenced over the years by the total lack of any evidence on behalf of plaintiff that any person whatsoever has been deceived into believing that Church renders authorized service.

### III.

#### **COMMENCING IN 1959, ALL FORMS OF ADVERTISING HAVE BEEN DENOTIVE AND NOT PROPRIETARY.**

It is essential to an appellate determination of this case that an accurate chronology be set forth. In this regard, each item of advertisement adopted by Church shall be detailed separately below as well as other facts relative to the issues raised by plaintiff.

#### **Chronology of Events.**

##### **A. Church's History of Experience Prior to Going Into Business for Himself.**

At the time of the trial Church was twenty-seven years old. When Church was seventeen years old he started to work at Cavin's Wrecking Yard in Long Beach. He worked there a little over one year starting on the used car lot cleaning the cars and getting them running by giving them tune-ups. He also drove

a tow truck and worked in the shop repairing American made auomobiles.

His next job was with Storey & Ricketts, an authorized Volkswagen agency in Long Beach. He started his employment there in 1956 and worked for approximately one year. During the course of this employment his job was that of a mechanic. Prior to working for the Volkswagen agency he had no experience in the repair or service of Volkswagen automobiles. His duties at the agency consisted of doing brake work, clutch work, tune-ups, front wheel alignment, engine overhaul, transmission work, the latter, however, in insufficient quantities to be classified as a "major" mechanic. A "major" mechanic is one who is proficient in the over-haul of engines and transmissions.

At no time during the course of his employment at the Volkswagen agency did he receive any training by his employer or any other members of the Volkswagen family. His experience was gained through his own initiative and desire to learn.

His next job was with Fox's Volkswagen & Porsche Service in Studio City, San Fernando Valley, California. Fox's was an independent Volkswagen facility. He ran the shop for the owner for approximately one year, doing all of the work including lube jobs through major engine and transmission overhaul. While so employed he performed approximately fifty major over-hauls including engine and transmission. In addition, he performed service on at least six hundred Volkswagens. He left his employment at Fox's in the latter part of 1957 [RT 858, line 6, to 869, line 5].

B. Church's History and Entry Into His Own Business.

In 1958 Church opened his own shop [RT 869, lines 4-5]. At that time he was approximately 21 years old.

His first shop was located on the corner of Orange Avenue and Bixby Road, Long Beach, California, and he specialized in the repair of Volkswagen and Porsche cars [RT 858, line 18, to 859, line 4].

From the date he first opened his own shop, to date of trial, it has been a sole proprietorship [RT 859, lines 5-15].

When Church initially went into business in 1958, he did so under the fictitious name "Modern Volkswagen and Porsche Service", and used that name until 1959, at which time he changed the name of his business to "Modern Specialist" [RT 869, line 6, to 871, line 10]. The Certificate of Doing Business under Fictitious Name "Modern Volkswagen & Porsche Service", was dated July 30, 1958 [Pltf. Ex. 12].

Church changed the name of his business "Modern Specialist" because of letters which he had received from the plaintiff stating that he was infringing on its right [RT 871, line 22, to 872, line 3].

In that connection, it is to be noted that the first letter mailed to Church by plaintiff was dated October 16, 1959, and was addressed to Church at his second place of business located on Cherry Avenue, Long Beach, where he is presently situated [RT 872, lines 4-19; Pltf. Ex. 27]. Church has been at his present address on Cherry Avenue since approximately 1959 [RT 858, lines 12-17]. Church had been in business

from at least July 30, 1958, to October 16, 1959, before plaintiff saw fit to place him on notice of its claim.

The Certificate of Doing Business under the fictitious name of "Modern Specialist" is dated October 4, 1960 [RT 871, lines 11-17; Pltf. Ex. 13]. Plaintiff would have the court assume that it was not until October 4, 1960, that Church ceased using the fictitious name "Modern Volkswagen & Porsche Service", but evidence clearly indicates that it was 1959 [RT 869, line 6, to 871, line 10].

#### C. Telephone Directory Ads.

When Church initially went into business in 1958 he caused a classified ad to be placed in the Long Beach telephone directory which ad ran for approximately one year. When he moved to his Cherry Avenue address, he ordered another advertisement to be placed in the same directory [RT 872, line 20, to 874, line 3; Pltf. Ex. 11a].

The first classified ad appearing in the Long Beach telephone directory concerning his Cherry Avenue address, which ad contained the encircled VW emblem, was not an ad authorized or placed by Church. The ad ordered by Church had been altered and enlarged by the telephone company. Due to the error, the telephone company did not make any charge for the incorrect ad. It was the unauthorized ad which was referred to in plaintiff's initial correspondence [RT 874, line 7, to 876, line 14; Pltf. Ex. 11b].

The initial telephone ad [Pltf. Ex. 11a] ran from October 1958 to October, 1959; the next ad [Pltf. Ex. 11b], the *unauthorized ad*, ran from October 1959, to October, 1960; and the next ad [Pltf. Ex. 11c], which was the first ad Church caused to be placed in

the directory at his Cherry Avenue address, ran from October 1960, to October, 1961 [RT 876, line 15, to 879, line 1].

From the date of plaintiff's first letter to Church, October 16, 1959, to the date of the publication of the new Certificate of Doing Business under the fictitious name of "Modern Specialist", at least eleven items of correspondence were transmitted back and forth between plaintiff's attorneys and Church's attorneys [Pltf. Exs. 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, and 37]. It is interesting to note that in the letter from plaintiff's attorney addressed to Church's attorney dated September 28, 1960, plaintiff states that it believes "that the uses by your client of the word 'Volkswagen' in the context of the trade name *and otherwise*, are infringements of our rights." [Emphasis added; Pltf. Ex. 36]. From this letter the true intent of plaintiff is manifested. The reader of such a letter might reasonably assume that "otherwise" includes *any* use of the word "Volkswagen" that an independent repair and service facility may make thereof, *i.e.*, even a "denotive" use.

After Church changed his name to "Modern Specialist", by the formal publication of a Certificate of Doing Business under a fictitious name on October 4, 1960, it was not until March 7, 1962, a year and one-half later, that plaintiff next saw fit to inform Church that plaintiff felt Church's advertisements during the year and one-half interval infringed upon plaintiff's rights [Pltf. Ex. 38]. After another eleven items of correspondence had been transmitted between plaintiff's attorneys and Church's attorneys, which items of correspondence discussed the various items of differences of opinion [Pltf. Exs. 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, and 48], Church transmitted to plaintiff a copy

of his proposed classified advertisement in the Long Beach telephone directory [Pltf. Ex. 49].

The proposed telephone advertisement, although objected to by plaintiff, was placed in the telephone directory in its October, 1962, issue and appears therein to date [Pltf. Ex. 11e, 11f, 11g, and Deft. Ex. F]. The ad placed in the October, 1962, directory (which appears to date) is the ad bearing the caption, "AN INDEPENDENT VOLKSWAGEN & PORSCHE SERVICE CENTER", in addition to the name of Church's business. "Modern Specialist", and the silhouette of a Volkswagen car and a picture of a Porsche car.

In plaintiff's letter dated August 29, 1962, plaintiff states, in part, "Thank you for your letter of August 21, 1962, in which you propose on behalf of Modern Specialist to insert in the Long Beach telephone directory the classified advertisement which would include the phrase:

AN INDEPENDENT  
VOLKSWAGEN  
& PORSCHE  
SERVICE CENTER

"Your letter also proposes as part of the format for Modern Specialist's business card the following phrase (in words of the same size and type):

INDEPENDENT  
VOLKSWAGEN  
PORSCHE  
SERVICING

"We will not object to the proposed use of this latter phrase on Modern Specialist's business card, business letterhead, repair order forms or in its classified advertising.

“It is our position, however, that the expression “Volkswagen Service Center” set forth in the proposed classified advertisement would deceptively create the false impression that Modern Specialist offers services having the authorization or approval of our client. We must insist that the classified advertisement be revised so as to eliminate this deceptive expression or that the advertisement not be published.” [Pltf. Ex. 53].

Thus, in August, 1962, plaintiff informed Church that it would *not* object to the phraseology “INDEPENDENT VOLKSWAGEN PORSCHE SERVICING” but that it would object to the phraseology “AN INDEPENDENT VOLKSWAGEN & PORSCHE SERVICE CENTER”, that portion of the latter phraseology objected to being “VOLKSWAGEN... SERVICE CENTER”.

Finally, on April 7, 1964, nearly two years and twelve additional items of correspondence later, plaintiff filed the instant action [Pltf. Exs. 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, and 64]. It was in Church’s letter to plaintiff dated August 31, 1962, over a year and a half prior to plaintiff’s instant action being filed, that Church drew the line at which he “must stand and defend” [Pltf. Ex. 54].

By summary, the first ad appearing in the Long Beach directory [Pltf. Ex. 11a] ran for the period commencing October, 1958, to October, 1959, and that no objection thereto was lodged with Church by plaintiff.

The second ad [Pltf. Ex. 11b], containing the encircled “VW” emblem and the name of Church’s business “Modern Volkswagen & Porsche” together with the wording “Volkswagen, Porsche Service Specialists”,

ran from October, 1959, to October, 1960, and was the ad which plaintiff objected to in its letter dated October 16, 1959 [Pltf. Ex. 27]. However, this ad is in no way involved in this lawsuit since it is the one which Church did not authorize to be placed, and for which the telephone company made no charge due to its error.

The third ad [Pltf. Ex. 11c] ran from October, 1960, to October, 1961, contained the name of Church's business in large letters at the top "Modern Specialist", thereunder and in smaller print the wording "Exclusively Volkswagen & Porsche Repairing & Service", and the additional language "fully equipped parts dept." In addition, the ad contains the picture of Church's shop which in no way bears any resemblance to any authorized Volkswagen agency either in size, shape or color combinations (Compare the photographs of Church's premises [Pltf. Ex. 17 and Deft. Ex. B-1], with photographs of numerous authorized Volkswagen agencies [Pltf. Exs. 69a, 69b, 69c, 69d, 69e, 69f, 69g; Deft. Ex. A-1, A-2, A-3, A-4, and A-5]).

The fourth ad [Pltf. Ex. 11d] appeared from October, 1961, to October, 1962. The top bears the information "Volkswagen & Porsche Repairing & Service", thereafter the additional words, "Modern fully-equipped shop", "Complete stock factory parts", and near the bottom the name of Church's business "Modern Specialist". In addition, there appeared a silhouette of a Volkswagen car and a picture of the Porsche car.

Plaintiff has suggested that a comparison of Plaintiff's Exhibit 11c with Plaintiff's Exhibit 11d reveals that for the phrase "Fully equipped parts dept." there was substituted the phrase "Complete stock factory parts" to conjure up immediately the suggestion

of some "factory" connection (Pltf. Op. Br. in the Trial Court, p. 30, lines 16-19). In addition, plaintiff further states at the aforementioned citation that "defendant's trade name was reduced in size and demoted to the bottom and the greatest prominence was given to the following language: 'Volkswagen & Porsche repairing & service modern, fully-equipped shop, complete stock, factory parts'". Contrary to plaintiff's unbased and unsupported suggestion, Church changed his ad to truthfully state that his shop was a modern, fully-equipped shop, and that it has a complete stock of factory parts. Any further differences between the two ads do not warrant comment. At no time during the course of the trial did plaintiff make any attempt to show that the advertising aforementioned was not factually correct.

The last series of ads [Pltf. Ex. 11e, 11f, 11g; Deft. Ex. F] have appeared in the directory since October, 1962, to date of the trial. These ads are clearly self explanatory and advertise unequivocally that Church is "AN INDEPENDENT VOLKSWAGEN & PORSCHE SERVICE CENTER", that he has "Modern, fully-equipped shop", that he maintains a "complete stock of factory parts", that he renders "free estimates", that "all work guaranteed", and that the name of his business is "Modern Specialist".

A comparison of the advertisement utilized by Church with those utilized by authorized Volkswagen agencies reveals that in each instance the authorized agencies used the term "Authorized Volkswagen Dealer", or "Authorized VW Dealer", and also used the encircled VW emblem [Def. Exs. L-1, L-2, L-3, L-4, L-5, L-6, and L-7]. The foregoing exhibits are examples of advertising done by authorized Volkswagen agencies in the Los Angeles County area. The differences in the meth-

ods of advertising adopted by Church and those adopted by the authorized Volkswagen dealers are dramatic and easily ascertainable by any member of the public desiring to seek out either an independent facility or an authorized facility.

Additional examples of advertisement done by independent Volkswagen repair and service centers in the Los Angeles and Orange County areas are reflected in Defendant's Exhibit O-1, showing an independent Volkswagen facility advertising the sale of Volkswagen automobiles "Independent VW Sales and Service"; O-2, a series of ads from the 1961 and 1962 Orange County and Los Angeles County area directors; O-5, the 1963 blue area directory, O-8, the 1965 Orange area directory; O-11, the 1965 blue area directory; O-12, the 1965 Orange area directory; O-13, the 1965 Orange area directory; and O-14, the 1965 Orange area directory (the various Orange area directories covering the same year do not cover the same area within the total Orange area). The foregoing exhibits show the use of the term "INDEPENDENT" by the independent repair and service facilities, the term "AUTHORIZED" by the authorized Volkswagen agencies, the use by the independent facilities of the silhouette of the Volkswagen car, the terminology "factory trained" personnel, "factory parts", and related terminology similar to that used by Church in the instant case. A comparison of the advertisements done by the independent facilities and the authorized facilities immediately reveals the lack of any possibility of any public confusion.

Further examples of advertising done by the independent facilities in the Los Angeles County area are reflected by Defendant's Exhibits Q, R, S, and T which are photographs of advertising done by German Motors, and Defendant's Exhibit U, a business card

from that facility. In each instance the terminology "INDEPENDENT VOLKSWAGEN CAR SERVICE CENTER", or similar language, appears, in addition to name of the business. Defendant's Exhibit P is a photograph showing the front of Karl's Garage in Covina, Los Angeles County, California, and demonstrates the use of the wording "INDEPENDENT VOLKSWAGEN PORSCHE SERVICE CENTER" across the front of the building occupied by that independent repair and service facility. Karl's Garage has used that advertisement since at least December 10, 1963 [RT 974, line 18, to 975, line 25].

#### D. Repair Order Forms.

Since Church commenced business in 1959 on Cherry Street, he has used the same general type of repair order form. Up to approximately one year before the trial of the instant case, he used the repair order form containing the following, "MODERN SPECIALIST", and below that in smaller letters, "VOLKSWAGEN & PORSCHE SERVICE". The only change in the repair order form was the addition of the word "INDEPENDENT" preceding the wording "VOLKSWAGEN & PORSCHE SERVICE", so that the phrase now reads, "INDEPENDENT VOLKSWAGEN & PORSCHE SERVICE". [RT 880, line 2, to 882, line 1; Pltf. Exs. 18 and 20]. The repair order form is only received by a customer *after* work has been performed on a car. Thus, if the phraseology reflected on Plaintiff's Exhibit 18, denoting Church's specialty, constitutes "advertisement" at all, it is advertisement after the fact. However, the phraseology "VOLKSWAGEN & PORSCHE SERVICE" merely advises the customer that Modern Specialist specializes in service to Volkswagen and Porsche cars. The addition of the word "INDEPENDENT" to the aforementioned

phraseology was merely an additional effort being made by Church to placate plaintiff. The addition of the word "INDEPENDENT" in no way constitutes a concession that the wording "VOLKSWAGEN & PORSCHE SERVICE" constitutes a proprietary rather than denotive information.

#### E. Pole Sign.

Church has a pole sign on the front of his premises. The sign has been there for approximately three years prior to the trial. Initially, the sign contained the information reflected in Plaintiff's Exhibit 14. It will be noted by an examination of that exhibit that the sign advertises the name of Church's business "MODERN SPECIALIST" and thereafter appears the word "VOLKSWAGEN" and the word "PORSCHE", in addition to the word "REPAIR" [Deft. Ex. B-2]. A color photograph, more accurately portrays the sign together with its color combination, which is not blue and white, nor does it embrace Memphis Bold type. Lastly, an examination of the pole sign reveals that it in no way remotely resembles any of the authorized Volkswagen Agency signs. The word "VOLKSWAGEN" has not appeared on the pole sign for approximately one year prior to trial [RT 885, line 11, to 888, line 7; Deft. Ex. B-2; Pltf. Exs. 14 and 15]. Again, Church removed the word "VOLKSWAGEN" from the sign to placate plaintiff even though at that time the law suit had been served upon him. Plaintiff would have the court believe that the removal of the word from the sign constitutes a concession on the part of Church that its use was a violation of some right owned by plaintiff. This is not the truth, however.

F. Truck.

Church acquired a Volkswagen pick-up truck in 1958. At that time it was olive green. He painted on it the words, "Modern Volkswagen" and the words "Modern Volkswagen Porsche Servicing". About 1960 he painted it white [Pltf. Ex. 16]. The vehicle remained white for over a year at which time it was painted grey, which is the color it is painted at the present time [Deft. Ex. B-3; RT 888, line 8, to 889, line 15]. Except as noted in the following paragraph the truck, as it was painted at the date of trial, with the advertisements thereon, have been so painted for the last two and a half to three years [RT 884, line 10, to 885, line 10]. It is hardly conceivable that such advertising would have the tendency to mislead the public into believing that Church operated an authorized Volkswagen Agency.

When the truck was painted grey, some two and a half to three years prior to the institution of this law suit, and the name of Church's business "MODERN SPECIALIST" prominently displayed on the vehicle together with the wording "VOLKSWAGEN—PORSCHE SERVICING" plaintiff still complained about Church's use of the word "VOLKSWAGEN". Again in order to placate plaintiff, early in 1963, approximately one year before the institution of this law suit, Church added the word "INDEPENDENT" to the phraseology "VOLKSWAGEN & PORSCHE SERVICING", so that it read, and now reads, "INDEPENDENT VOLKSWAGEN & PORSCHE SERVICING." [RT 888, line 8, to 889, line 15; Deft. Ex. B-3; Pltf. Ex. 59].

G. Business Cards.

Church has used a form of business card since opening his original shop in 1958. Plaintiff's Exhibit 19a is an example of the type of card Church used approxi-

mately four and a half years prior to the trial. He used that card less than a year, discontinuing it when he received a letter from plaintiff. Next he commenced using a card exemplified by Plaintiff's Exhibit 19b, with the word "INDEPENDENT" stamped on it. He started using that card a little less than a year after he opened his Cherry Street shop. He used it for approximately eight months to one year. Then he changed to a business card exemplified by Plaintiff's Exhibit 19c, containing a larger "INDEPENDENT" on the top thereof. Again, as a result of the harassment by plaintiff, Church changed business cards to the card which he has used for the three years prior to trial, and to date, exemplified by Plaintiff Exhibit 19d. The card aforementioned bears the name of Church's business "MODERN SPECIALIST" in prominent letters, followed by the words "INDEPENDENT VOLKSWAGEN-PORSCHE SERVICING." [RT 889, line 16, to 892, line 30; Pltf. Ex. 19a, 19b, 9c, and 19d]. Again, it is inconceivable that anyone would be deceived or confused in reading any of the business cards used by Church into believing that his facility was one of those authorized by plaintiff.

#### H. Sign on Building Face.

Along the top of the face of Church's place of business, in black lettering on a tan building, the wording "MODERN VOLKSWAGEN PORSCHE SERVICE" initially appeared. Contemporaneous with the filing of the law suit, the word "MODERN" was removed from the face of the building, and the word "INDEPENDENT" was placed thereon. Plaintiff's Exhibit 17 does not accurately reflect the face of the building. It omits a substantial portion thereof and leads the viewer to an erroneous conclusion. An accurate example of the face of the building as it appears

is reflected in Defendant's Exhibit B-1. Thus, the sign which appears above the shop door of Church's building reads "INDEPENDENT VOLKSWAGEN PORSCHE SERVICE." In Plaintiff's Opening Brief, in the court below, page 35, lines 5-23, plaintiff falsely asserts that the foregoing phraseology is not intended to be read as a continuous whole because each word is centered over one of four sets of garage doors divided from its neighbor by the roof supports, which would allow the casual passer-by to infer that each word is independent of the other three and refers to a separate aspect of the business being conducted on the premises. This erroneous assertion by plaintiff can easily be distinguished from the truth by observing the presentation as is reflected by Defendants Exhibit B-1.

### I. Give-Aways.

In addition to the above methods of advertising adopted by Church, the following type of give-aways are used: a plastic litter bag used for over a year prior to the institution of the law suit, containing the black lettering on a white background "INDEPENDENT VOLKSWAGEN PORSCHE SERVICE", in addition to the very prominent display of the name of Church's business [RT 893, line 13, to 894, line 3; Pltf. Ex. 22]; a match cover bearing advertisements by Valvoline Motor Oil on one side and Church's advertisements on the other. Valvoline and Church shared the expense thereof. This method has been used for approximately two years prior to trial, and bears the wording "INDEPENDENT VOLKSWAGEN & PORSCHE SERVICING" in addition to the prominent display of the name of Church's business "MODERN SPECIALIST" [RT 894, lines 4-21; Pltf. Ex. 21]; a ballpoint pen used for one year prior to trial containing, in part, the phraseology "INDE-

some times run out of parts, procure parts from sources outside the Volkswagen family, install such parts in their customers' cars, and refer their own work to independent facilities, which, by inference, can perform work which the authorized agency involved is unable to perform. This latter part is further borne out by the fact that certain authorized Volkswagen agencies in the San Fernando Valley area send their customers' cars to the facilities of David Tyerman, the owner of an independent wheel and brake shop in Burbank for repair by that independent facility [RT 704, line 21, to 706, line 2]. However, it is not surprising that there are mechanics outside the Volkswagen family of mechanics who are capable of performing acceptable work on the Volkswagen product line since the Volkswagen engine is easier to work on than American made engines, because it has lighter parts, easier to remove, is easier to clean up for inspection, it has more liberal tolerances, and less moving parts [RT 909, line 13, to 910, line 4]. This is consistent with plaintiff's national advertisements that it is a simple car and uncomplicated [RT 175, line 6, to 176, line 11]. In spite of plaintiff's advertisements, plaintiff's executive personnel called by it as witnesses indicated quite clearly that only mechanics employed by plaintiff's family were capable of performing acceptable Volkswagen repair and service [RT 126, line 6, to 127, line 11; 499, line 21, to 500, line 8; 1093, line 24, to 1094, line 6]. Apparently there is some disagreement between plaintiff's executive level and certain members of plaintiff's family of agencies, the latter having more practical experience.

#### M. Church's Shop Fully Equipped.

Not only does Church have the ability to perform acceptable, if not vastly superior, service and repair on the Volkswagen product line, but his shop is equipped

with the special Volkswagen tools and current workshop bulletins printed and issued by the plaintiff concerning the latest changes and procedures for the repair of plaintiff's product [RT 942, line 12, to 943, line 1; 943, lines 16-18; 947, line 8, to 948, line 11; 950, line 20, to 952, line 8; 952, line 9, to 955, line 20; Deft. Exs. AA, AB, and K]. He does not have the eleven volume set of workshop manuals at his shop because everything contained therein is covered in the "Work Shop Bulletins" as exemplified by Defendant's Exhibit K [RT 1028, lines 4-23]. In other words, plaintiff first puts out a workshop bulletin notifying its family of certain changes, and thereafter the various workshop bulletins are incorporated into the shop manuals which then supercede the workshop bulletin [RT 363, lines 14-19]. However, Church goes further in providing facilities for his customers by using American electrical type tools for tuning [RT 942, line 12, to 943, line 1]. Perhaps the initiative exercised by Church in the conduct of his business accounts for the success he has worked hard for.

#### N. Plaintiff Has No Complaints About Church's Work.

Neither plaintiff nor its wholly-owned American importer, Volkswagen of America, have ever received either an oral or written complaint from any person who has patronized Church pertaining to the repair or service of any Volkswagen vehicle [CT 32, Plaintiff's Answers to Interrogatories Nos. 34 and 36]. The only evidence of anything remotely relating to a "complaint" received concerning service which "might" have been performed at Church's place of business was brought out in the testimony of Samuel Weill, Jr., Executive Vice-President and General Manager of Volkswagen Pacific, the distributor for plaintiff in the Southern California, Arizona, Southern Nevada, and

Hawaii areas. He testified that a woman, whose name he could not remember, spoke with him on the telephone two and a half to three years prior to the trial wanting to know (1) whether the price charged for certain work was fair, which he could not answer because he did not know the work, and (2) she related that she felt the work was unsatisfactory. Other than the aforementioned contact, he has never received a complaint concerning any service or repair rendered by Church [RT 1091, line 7, to 1092, line 3]. Further, concerning the complaint of the unknown woman, the witness did not know whether she was referring to Church's business or some other business named "Modern Specialist", since the woman did not mention Church's name nor the address of the shop which she was complaining about [RT 1107, line 15, to 1109, line 14].

**O. Complaints Received About Independents and  
About Authorized Facilities.**

Witness Weill had been employed by Volkswagen Pacific, the distributor, for the last thirteen years, and as part of his business he has had occasion to answer complaints and talk to people who have complaints [RT 1060, line 21, to 1062, line 20]. Over the thirteen years he had been so employed, he has come into contact personally with approximately 400 written letters of complaint [RT 1066, line 24, to 1068, line 17]. Of the aforementioned number of letter complaints, one-third to one-half relate to the repair and service of automobiles and the balance relate to the sale of automobiles [RT 1069, line 23, to 1071, line 22]. Of the one-third to one-half of the complaints aforementioned approximately 50% relate to service or repair rendered by independent facilities, and then he went on to state, "but I'm not talking about just letters; we're talking about phone calls and personal contact." [RT

1071, line 23, to 1072, line 4]. Of the complaints relative to independent facilities, the general complaints relate to the inability to procure the warranty terms on a car because work was done at an independent facility, or that the complainant was under the impression that the facility was a member of the Volkswagen family, or they complained of the quality of work, or about certain parts or accessories that may have been installed upon their car [RT 1072, line 5, to 1073, line 7].

It appears that in the last thirteen years this witness has, at the most, received 100 complaints relative to independent facilities, which number is surprisingly small. As to the number of complaints that he has received *from customers of authorized Volkswagen agencies* relative to the repair and service rendered thereat, his response to the question was,

“it is extremely difficult because there are, and have been very high in number. Sometimes two and three and four a day, which, if I am not immediately able to furnish the customer with an answer, I will transfer to either my warranty or my service department.” [RT 1073, line 13 to 1074, line 11].

If one were to multiply three complaints a day relative to service and repair rendered by *authorized agencies* times thirteen years, the number of complaints would be staggering.

#### **P. Plaintiff's Reputation for Repair and Service.**

The testimony of Mr. Weill concerning the number of complaints received by him relative to the repair and service rendered by authorized Volkswagen agencies over the last thirteen years is not inconsistent with the testimony of Church's witnesses relative to the reputation of authorized Volkswagen agencies in the South-

ern California area. Forrest Emard is a resident of Orange County and has been for the past ten years, he is assistant manager of the First Western Bank in Santa Ana, and an owner of three Volkswagens commencing in 1956. Based upon his experience with authorized Volkswagen agencies, and his knowledge of their general reputation, such general reputation for repair service rendered by them in his community is "not good, just fair." [RT 532, line 23, to 535, line 9].

Mr. Herbert Nakagawa, an engineering laboratory mechanic employed by North American Aviation based at Seal Beach, Orange County, residing in Long Beach, Los Angeles County, for the last twenty years, and an owner of a Volkswagen car since 1958, stated that his knowledge of the general reputation of the Volkswagen agencies in his community for repair and service rendered by them is "not too good" [RT 542, line 10, to 545, line 12].

Mr. Richard Robinson, a vice-principal of a public high school in Lakewood, Los Angeles County, so employed for fourteen years, resident of Long Beach, Los Angeles County for thirty-six years, and an owner of a Volkswagen since 1957, stated that his knowledge of the reputation of authorized Volkswagen agencies in his community for repair and service is "generally very poor" [RT 553, line 6, to 554, line 24].

Mr. Werner Schenk, a mathematics teacher at Loyola High School, so employed for the last five years, a resident of Santa Monica, Los Angeles County for the last five years, and an owner of a Volkswagen car from 1960 to 1963, stated that his knowledge of the general reputation of the authorized Volkswagen agencies in his community for repair and service is "poor" [RT 567, line 3, to 570, line 8].

Mr. Richard Lewellyn, director of the Los Angeles Athletic Club and Allied Clubs, so employed for the last ten years, a resident of Hollydale, Los Angeles County, California, for forty-two years, and owner of a Volkswagen from 1961 to 1963, stated that his knowledge of the general reputation of the Volkswagen agencies in his community for repair and service rendered by them was "good and bad", meaning, that as to the particular agency which he had reference to there was discontent there and that as a result thereof the customers left that agency for the service problems that were involved [RT 581, line 16, to 584, line 25; 588, lines 1-15].

Mr. Gene Risdon, presently an importer of Volkswagen products, whose customers are independent garbage owners in the southern California area, who has been in that business for the last ten years, a resident of Los Angeles County for forty-two years, and the owner of a Volkswagen from 1958 to approximately four months prior to the trial, stated that his knowledge of the reputation of the authorized Volkswagen agencies in California for repair and service is "poor". The basis of his knowledge was predicated on his area of service, Ventura County, Riverside County, Orange County, and Los Angles County, together with his experience representing parts and sale houses for the last ten years in almost every city in the United States wherein he had heard comments relative to the Volkswagen reputation [RT 624, line 10, to 629, line 8].

Mr. James Lamprell, a flight engineer for Trans World Airlines, also the owner of a business serving as a buyers' agent arranging for the importation of new Volkswagen automobiles for individual buyers, a resident of southern California since 1947, and owner of three Volkswagen cars during the last three years prior to the trial, testified that his knowledge of the

general reputation of the authorized Volkswagen agencies in his community for repair and service rendered by them was "not good". His opinion was based not only upon the experience gained as a Volkswagen owner, but also as an importer of approximately 500 new Volkswagens in the last two years, and his discussions with the customers relative to the treatment they have received from the authorized Volkswagen agencies patronized by them [RT 446, line 11, to 459, line 15; 462, lines 15-18]. The area of general reputation encompassed by this witness extends as far south as San Diego, north to Newhall or Bakersfield and as far east as Riverside (Citation *Supra*).

At this point, Church presented another witness, Mr. Vincent Barasic, Jr., and at the request of the court, presented the following offer of proof: that Church was prepared to put approximately 300 additional witnesses on the stand to testify as to the general reputation of authorized Volkswagen agencies in the southern California area for repair and service rendered by them to the Volkswagen product line, that such reputation was not good; that approximately 80% of the witnesses were acquainted with Church, the remaining 20% were not acquainted with him; of those who are acquainted with him approximately 75% are his customers. In addition to the aforementioned testimony, the witnesses would testify as to the meaning of the word "INDEPENDENT", that it meant to them when they observed it in connection with the advertisement of a business, that the advertiser was not enfranchised by the manufacturer of the product and was independent in all respects from the manufacturer thereof. The court ruled that the defendant has produced sufficient witnesses to constitute a representative cross section of the kind of testimony that would be introduced and additional testimony would be

merely cumulative, to which an exception was taken [RT 655, line 24, to 666, line 20; 1111, line 21, to 1112, line 17].

**Q. The Meaning of the Word "INDEPENDENT" and Its Unique Significance.**

In connection with the meaning of the word "independent", as used in conjunction with the sale of a service or a product by a business enterprise, Mr. Lamprell testified that the word means that the advertiser is not connected in any way with the Volkswagen factory or with any of its agencies. In this regard he had referred to the example "AN INDEPENDENT VOLKSWAGEN SERVICE CENTER", or "YOUR INDEPENDENT VOLKSWAGEN SERVICE CENTER" [RT 460, line 21, to 462, line 7]. Mr. Emard testified that any business organization that advertises by using the word "INDEPENDENT" in connection with its business means that it is independent from any other organization, it is on its own, and it is not an enfranchised organization; with respect to Defendant's Exhibits, B-1, B-2, B-3, and Plaintiff's Exhibits 19b, 19c, 20, 21, 22, 23, 25, and 26, the advertising appearing thereon indicates that the advertiser is an independent organization, on its own, and not enfranchised by anyone, the exhibits referred to being those photographs representing the methods of advertising adopted by Church [RT 535, line 10, to 541, line 2].

Mr. Nakagawa testified with reference to Defendant's Exhibits, B-1, B-2, B-3, and Plaintiff's Exhibits 19b, 19c, 20, 21, 22, 24, and 25, that the advertising which appears therein indicates that the advertiser is not connected with the manufacturer of the product and that he is in business for himself [RT 547, line 17, to 551, line 15].

Mr. Robinson testified that he has seen the word "INDEPENDENT" used in connection with the advertisement of a business in many instances. It means to him that the business so advertising is operating independently from the factory, its agency, franchise, and is on its own and in business for itself. With reference to Defendant's Exhibits, B-1, B-2, B-3, and Plaintiff's Exhibits, 19b, 19c, 19d, 20, 21, 22, 25, 26, the advertisements appearing therein indicate that the advertiser is an independent individual who is operating the business, operating independently from any authorized Volkswagen agency, and, with particular regard to Defendant's Exhibits B-3, his feeling is emphasized because he does not see "AUTHORIZED", but sees "INDEPENDENT" [RT 554, line 25, to 558, line 10].

Mr. Schenk testified that he has seen the word "INDEPENDENT" used in connection with business advertisements, and it means to him that the advertiser is not enfranchised. He is not acquainted with Church and has never met or seen him before. He is not a customer of Church. With reference to Defendant's Exhibits B-1 and B-3, and Plaintiff's Exhibits 19b, 19c, 19d, 20, 21, 22, 24, 25, and 26, these exhibits indicate to him that the advertiser is an unauthorized, unenfranchised, garage or repair facility. With particular reference to Plaintiff's Exhibit 19b, the thing that indicates to this witness that it is an unauthorized facility is the word "INDEPENDENT" [RT 570, line 11, to 573, line 3].

Mr. Lewellyn testified that he has seen the word "INDEPENDENT" used in connection with business advertisements, and it means to him that the advertiser stands alone and is not connected with the industry that is represented in an official capacity [RT 588, line 16, to 589, line 5]. With reference to Defendant's

Exhibits B-1 and B-3, and Plaintiff's Exhibits 19b, 19c, 19d, 11h, 20, 21, 22, 23, 25, and 26, these exhibits indicate to the witness that the advertiser is not enfranchised by the manufacturer [RT 589, line 6, to 592, line 8]. This witness also testified, with reference to Plaintiff's Exhibits 70a and 70b, that there was nothing in those exhibits which would indicate that the advertiser is an authorized Volkswagen agency even though there is an encircled VW emblem in Exhibit 70a and there are Volkswagens in a showroom in 70b. He testified that it is evident from Exhibit 70b that the Volkswagens in the showroom are "used" and therefore it is not a Volkswagen Agency. The blue and white color combination alone does not distinguish an agency as being enfranchised, but the use of the blue and white Volkswagen emblem together with the sale of new Volkswagens indicates that it would be an authorized agency [RT 610, line 9, to 612, line 25]. With reference to Plaintiff's Exhibit 70c, this appears to be an authorized agency because it appears that there is a showroom containing new Volkswagens, and this was his only reason for his opinion. Although the use of the word "Volkswagen" would attract his attention, it would not be evidence to him that it was a Volkswagen agency unless it was selling new Volkswagen cars [RT 613, lines 1-17]. With reference to Plaintiff's Exhibit 70d, he testified this was not an authorized Volkswagen agency because he sees no Volkswagen sales room even though there appears to be a Volkswagen emblem on the premises [RT 613, line 24, to 614, line 16]. He further testified with reference to Defendant's Exhibits A-2, A-3, and Plaintiff's Exhibits 70e and 70f, that he could not tell from any of them whether they are authorized Volkswagen agencies because he can't see if there was a new car showroom on the premises [RT 615, line 11, to 618, line 25].

Mr. Lewellyn further testified that he had seen many Volkswagen agencies in his community, their color combinations are blue and white, that the distinguishing features of an authorized Volkswagen agency from those which are not authorized is that the authorized Volkswagen agencies sell new Volkswagens [RT 592, line 10, to 595, line 11].

Mr. Risdon testified that he has seen the word "INDEPENDENT" used in connection with business advertisements. It means to him that the advertiser is not affiliated with the manufacturer of the vehicle [RT 629, lines 9-22]. With reference to Defendant's Exhibits B-1 and B-3, and Plaintiff's Exhibit's 19b, 19c, 19d, 20, 21, 22, 24, 25, and 26, these exhibits indicate that the advertiser is not affiliated with the Volkswagen organization, and is independent from it. During the course of his travels around the southern California area he has seen approximately 25 to 30 Volkswagen agencies. In his travels throughout the United States in the last five years he has seen approximately 40 Volkswagen agencies. This makes a total of approximately 90 Volkswagen agencies which the witness has seen. The color combinations used by these agencies in general, on their premises, as well as on their signs, is blue and white. To his knowledge all of the Volkswagen agencies used the encircled VW emblem. The emblem is blue and white. He recalls seeing the Volkswagen mannequin on only two Volkswagen agencies. He recalls seeing the spread-out sign "VOLKSWAGEN" used on the agencies. The spread-out sign is blue and white. In California he has never seen a Volkswagen service or repair facility which is not connected with a new car sales agency. Volkswagen agencies stress the word "AUTHORIZED". He recalls seeing the word "AUTHORIZED" on the premises of each agency which he has seen, either

on the sign or on the building. Particularly, he has seen the sign emphasizing the word. "AUTHORIZED" on either a sign, *per se*, or on a building on the authorized agency premises [RT 629, line 23, to 635, line 16].

Mr. Risdon further testified that he was familiar with other business organizations using the word "INDEPENDENT" in connection with their name or in describing their premises. As an example he gave the "I.G.O." which means "Independent Garage Owners Association." When the witness sees the word "INDEPENDENT" used in connection with the name of a business, it means to him that it is not franchised by the manufacturer of the product, and by way of further explanation stated that authorized Volkswagen agencies are not "INDEPENDENT" within the meaning of this word [RT 647, line 15, to 651, line 10].

Not only do witnesses appearing on behalf of Church feel that the word "INDEPENDENT" means that the advertiser is not franchised by plaintiff or by any member of its family, but plaintiff's witnesses concur therein. Mr. Michael Sanyour, Jr., vice-president of plaintiff's United States importer, Volkswagen of America, interpreted the word "INDEPENDENT" as it appears in the title to Defendant's Exhibit J, namely, "STATEMENT OF POSITION FOR INDEPENDENT SERVICE AND REPAIR ENTERPRISES WITH RESPECT TO VOLKSWAGEN TRADE MARKS," as meaning "non-authorized" [RT 156, line 4, to 159, line 8; Deft. Exs. C and J].

Plaintiff's witness, Mr. Joseph Metz, zone service manager from Volkswagen of American assigned to the Volkswagen Pacific area consisting of southern Calif-

fornia, Arizona, South Nevada, and Hawaii, interprets the meaning of the word "INDEPENDENT" when used by non-enfranchised repair facilities as meaning "*not enfranchised*" [RT 354, line 10, to 355, line 8]. Mr. Metz also pointed out that there are no authorized Volkswagen dealers within the Volkswagen Pacific area who have the word "INDEPENDENT" as part of their name or who use the word to advertise on their premises [RT 353, lines 10-17]. Mr. Metz further pointed out that all authorized Volkswagen agencies within the Volkswagen Pacific area advertise that they are "AUTHORIZED" Volkswagen dealers [RT 344, line 22, to 346, line 22]; that the word "AUTHORIZED" means that the person using that word, whether it is in conjunction with sales, sales and service, or a dealership, is enfranchised by the manufacturer as a dealer [RT 349, line 23, to 350, line 6].

Plaintiff's witness, Samuel Weil, Jr., vice-president and general manager of Volkswagen Pacific, interpreted the word "INDEPENDENT" as follows:

"If you're connecting it with Volkswagen specifically, it is generally speaking, 'unauthorized' because we use the term 'AUTHORIZED VOLKSWAGEN DEALER,' usually." [RT 1102, line 25, to 1103, line 6].

In addition, and as an example of the extensive use over a very lengthy period of time by a trade association, both on a national basis and on a California state-wide basis, Church's witness, Mr. Tyerman, testified that he is a member of "Independent Garage Owners of California, Inc.", commonly referred to as "Independent Garage Owners"; he is the state secretary and director of the corporation. It is a California corporation with approximately 1000 businesss members. Only persons operating as independent re-

pair and service facilities may be members, so long as they are not connected in any way with the manufacturers of automobiles, and, in addition, there are exclusions by way of used car lot operators, etc. [RT 668, line 10, to 671, line 8; Pltf. Ex. 75]. The organization is 25 years old and has used the words "INDEPENDENT GARAGE OWNERS ASSOCIATION" for the entirety of its existence [RT 673, lines 16-24]. The California Corporation is affiliated with a national organization called "Independent Garage Owners of America", the "I.G.O.A.". Every member of the state organization is automatically a member of the national organization. The national organization has between 9000 and 10,000 business members throughout the United States. Referring to Defendant's Exhibit V-1, a book containing the names and addresses of all of the members of the California organization, which book is circulated among the members and is given by members to their customers who desire a reference to other independent garage facilities, the emblem appearing on the front page of the book is that used by the California Association for the greater part of the 25 years of its existence. It contains, in part, the wording, "INDEPENDENT GARAGE OWNERS OF CALIF. INC.". On the back of the book appears the emblem of the national organization which contains, in part, "INDEPENDENT GARAGE OWNERS OF AMERICA, INC." [RT 671, line 9, to 673, line 15; 676, line 22, to 677, line 21; Deft. Ex. V-1].

In addition to the book, Defendant's Exhibit V-1, the Independent Garage Owners Association uses a give-away floor mat bearing the emblem of the association and the wording aforementioned including the word "INDEPENDENT" [Deft. Ex. V-2]. It cir-

culates a trade newspaper presently entitled "AUTOMOTIVE INDEPENDENT," formerly the "I.G.O. NEWS," which has been published for at least fifteen years [RT 681, line 20, to 683, line 7; Deft. Ex. V-5].

Examples of classified advertisements of the Independent Garage Owners Association appearing in the classified section of the telephone directory were placed into evidence as Defendant's Exhibiti O-3, O-6, and O-9. The ads bear the shield of the Independent Garage Owners Association including the word "INDEPENDENT", and thereunder lists the members desiring to advertise in the particular directory. This has been a practice of the association for a number of years [RT 684, line 15, to 685, line 18; Deft. Ex. O-3, O-6, and O-9].

The Independent Garage Owners Association furnishes metal signs approximately two feet by two feet in dimension, which are distributed to the membership bearing the emblem of the association including, in part, the word "INDEPENDENT", which signs are displayed on the business premises of the membership. There are two types of signs, one bearing the shield of the national organization, and one bearing the shield of the California Independent Garage Owners Association. The shields are exemplified by the ones that appear on the front and back covers of Defendant's Exhibit V-1 [RT 690, lines 5-25].

Thus, the uncontradicted testimony of both defendant's witnesses and plaintiff's witnesses, together with the Defendant's Exhibit J, a flyer distributed by *plaintiff* and addressed to "INDEPENDENT SERVICE AND REPAIR ENTERPRISES" there seems to be no doubt but that the word "INDEPENDENT" when used in any form of advertisement by an automobile repair and service facility, either alone or in connec-

tion with other words, indicates that the advertiser is NOT enfranchised by the manufacturer of the motor vehicle or any member of its family.

**R. Distinct Difference in Appearance of Church's Premises.**

The visual appearance of the premises of plaintiff's family of authorized agencies is dramatically distinct and different from the visual appearance of Church's premises. A simple comparison of the color photographs of the front of Church's building, Defendant's Exhibit B-1, with the color photographs of several authorized Volkswagen agencies, Defendant's Exhibits A-1, A-2, A-3, A-4, and A-5, together with black-and-white photos of authorized Volkswagen agencies, Plaintiff's Exhibits 69a, 69b, 69c, 69d, 69e, 69f, 69g, will readily make apparent the difference. Further, it is urged that the court compare the color photographs of Church's truck and pole sign, Defendant's Exhibits B-2 and B-3, respectively, with the color photographs of the signs of authorized Volkswagen agencies, Defendant's Exhibits A-1 to A-5, inclusive, and in addition, compare the aforementioned color photograph of Church's truck with Plaintiff's Exhibit 69h, a black-and-white photo with an authorized Volkswagen dealer's truck in the foreground. It is further urged that the court compare Church's earlier pole sign and truck, reflected by Plaintiff's Exhibits 14, 15, and 16, with the authorized Volkswagen agency truck in Plaintiff's Exhibit 69h and with the sign appearing on the authorized agency's premises in Plaintiff's Exhibits 69a through 69g, inclusive, and Defendant's Exhibits (in color) A-1 through A-5. A comparison of the aforementioned photographs will reveal the difference in appearance between the little shop of Church and those of the Volkswagen family of authorized agencies. The size

and shape of the building is totally different, the color combinations are totally different, the phraseology and wording are totally different, the signs are totally different, there is no automobile sales agency operated in connection with Church's business; in fact, there is not one item of similarity which could remotely serve to confuse the public into believing that Church's premises and business is a member of the authorized Volkswagen family of agencies.

**S. Control by Plaintiff Over Its Family, and Uniform Appearance of Family Premises, Signs and Forms.**

Aside from the dramatic visual differences in the appearances of authorized Volkswagen agencies and the appearance of Church's premises, plaintiff's family of authorized Volkswagen agencies are required by their franchise to display the word "VOLKSWAGEN" and other words and symbols, in such number and in such locations as may be directed by their distributor [Pltf. Ex. 6g, Art. 1, 4 (1)]. It is obvious from a reading of Plaintiff's Exhibit 4, the contract between plaintiff and its wholly owned United States importer, Volkswagen of America, Plaintiff's Exhibit 5a, a typical dealer agreement, 5b, 5c, 5d, and 5e, typical distributor agreements, and 6a, 6b, 6c, 6d, and 6e, typical dealer agreements, that plaintiff maintains absolute control over every movement of the entire family of Volkswagen representatives. Each and every member of plaintiff's family is a virtual robot subject to the complete control of plaintiff. Example of the control exercised by plaintiff over its family of authorized Volkswagen agencies is the testimony of plaintiff's witness, Mr. Christensen, when he stated that the distributor would do something about it if the dealer maintained a color combination other than blue and white, adding, however, that such an occurrence has never taken place [RT 320, lines 12-18].

Plaintiff's witness, Mr. Metz, whose duties include assisting authorized Volkswagen agencies to set up their premises in accordance with the requirements of plaintiff, testified that the color combinations for authorized Volkswagen signs are blue and white, as indicated by Plaintiff's Exhibit 68b [RT 203, lines 7-24]; referring to Plaintiff's Exhibit 68c, identified it as containing more of plaintiff's "recommendations" concerning blue and white color combination for signs [RT 232, line 19, to 233, line 5]; referring to Plaintiff's Exhibit 68d, identified this exhibit as showing "suggested" color schemes for Volkswagen dealerships [RT 237, lines 14-23]; testified that the Volkswagen emblems which appear in Plaintiff's Exhibit 69 series are blue and white [RT 242, line 14, to 243, line 2]; testified that all Volkswagen agencies used the blue and white color combination for the outside of their buildings [RT 326, lines 6-20]; that most of the authorized Volkswagen agencies in the Volkswagen Pacific area which have been franchised within the last five or six years are standardized as to the general shape and structure of their buildings [RT 326, line 21, to 327, line 1]; that he knows of *no* authorized Volkswagen agencies in the Volkswagen Pacific area that use color combinations other than blue and white [RT 327, lines 5-21]; and that he knows of no instance where an authorized Volkswagen agency in the Volkswagen Pacific area has used a color combination other than blue and white in their shop signs [RT 327, line 24, to 328, line 6]. In addition, Mr. Metz testified that prior to January, 1965, no authorized Volkswagen agency known to him utilized the word "VOLKSWAGEN" as part of its business name [RT 328, line 16, to 331, line 3]. Mr. Metz is fully qualified to testify as to the standard Volkswagen agency appearance in the United States because one of his duties is to insure that new buildings

In addition to the visual presentation made by the physical appearance of the premises of an authorized Volkswagen agency, the method of advertising adopted by the authorized Volkswagen agencies in the southern California area in the classified section of the telephone directory as well as their newspaper ads, is somewhat standardized and distinct from the classified telephone ads and newspaper ads utilized by Church and by the numerous other independent Volkswagen service and repair centers. Defendant's Exhibit L-1, a newspaper ad placed by the authorized Volkswagen agency in Church's area, Circle Motors, is distinct in its use of the encircled VW emblem, and the wording "AUTHORIZED VW DEALER"; Defendant's Exhibit L-2 is a classified ad of an authorized Volkswagen agency in Church's area, Ricketts Motors, which ad is also distinct in its use of the encircled VW emblem and the phraseology "AUTHORIZED VOLKSWAGEN AND PORSCHE DEALER FOR THE LONG BEACH—HARBOR AREA"; Defendant's Exhibits L-3 and L-5 are ads of another Volkswagen agency in Church's area, Lakewood Motors, and are similarly distinct in their use of the encircled VW emblem and the phraseology "YOUR FACTORY AUTHORIZED VOLKSWAGEN DEALER"; Defendant's Exhibit L-4 is a classified ad of another authorized Volkswagen agency, Downtown Motors, and again is distinct in its use of the encircled VW emblem; Defendant's Exhibit L-6, is a page from the classified section from the Los Angeles Times showing how several authorized Volkswagen agencies advertise through the use of the phraseology "AUTHORIZED VW DEALER" (placed by Lee Wissler Volkswagen), "AUTHORIZED VOLKSWAGEN AND PORSCHE DEALER" (placed by Neil Compton Motors), "AUTHORIZED VW PORSCHE"

(placed by Precision Motor Cars), "AUTHORIZED VW DLR." (placed by Ogner Bros.); Defendant's Exhibit L-7, a list of authorized Volkswagen agencies containing, again, the use of the encircled VW emblem together with the wording, "Only an authorized VW dealer can sell you a new Volkswagen."

By comparison with the defendant's L series of exhibits, an examination of the defendant's O series reveals the contrast of methods of advertisement. Defendant's Exhibit O-1, a newspaper classified ad in the Los Angeles Herald Examiner shows an independent facility advertisement, Beetle Imports, that advertises with the phraseology "INDEPENDENT VW SALES & SERVICE", the ad also being considerably smaller than that of the authorized agency; Defendant's Exhibit O-2, being a series of classified telephone ads of independent repair and service facilities in the Orange County and Los Angeles County areas, noting that in nearly all instances the independent facility used the silhouette of a Volkswagen, amongst other cars, and several used the phraseology, "factory trained mechanics", "factory trained German mechanic", "VW-Porsche parts & service exclusively", and many used the word "Volkswagen" with emphasis thereon; Defendant's Exhibit O-4, a classified telephone ad showing an authorized Volkswagen agency ad using the phraseology "AUTHORIZED VOLKSWAGEN SALES—SERVICE—LEASING," placed by Kendon Motors; Defendant's Exhibit O-4, a classified telephone ad placed by two authorized Volkswagen agencies in Church's area, Lee Carpenter, Inc., in Compton, and Lakewood Motors, in Lakewood, both of which used the encircled VW emblem and the phraseology "AUTHORIZED VOLKSWAGEN IN COMPTON", and "AUTHORIZED DEALER"; Defend-

ant's Exhibit O-5, a classified telephone ad of an independent repair and service facility, Franze's Garage, in El Monte, utilizing the silhouette of a Volkswagen, and the ad of another independent Volkswagen facility, Karl's Garage in Covina, utilizing the silhouette of a Volkswagen and the phraseology "AN INDEPENDENT VOLKSWAGEN & PORSCHE SERVICE CENTER", the latter being on the same page as that of an authorized Volkswagen agency, Harry Hill Motors, Inc., in West Covina, utilizing the encircled VW emblem and the phraseology "ONLY AUTHORIZED VOLKSWAGEN AGENCY IN THIS AREA"; Defendant's Exhibit O-7 containing a joint ad by two authorized Volkswagen agencies in the Long Beach area, as well as a distributor ad utilizing the encircled VW emblem; Defendant's Exhibit O-8, a classified telephone ad of an independent Volkswagen facility, Speedway Motors, utilizing the silhouette of a Volkswagen, the phraseology "AN INDEPENDENT VOLKSWAGEN & FOREIGN CAR SERVICE CENTER", and "GERMAN TRAINED VOLKSWAGEN MECHANICS", which exhibit also includes an ad from an authorized Volkswagen agency in Santa Monica, Ralph Cutright Co., containing the phraseology "BAY AREA AUTHORIZED DEALER VOLKSWAGEN-PORSCHE SALES-SERVICE-PARTS."

As can be seen from the numerous classified advertisements in evidence, the lines of distinction are clear. The authorized Volkswagen agencies using the terminology "AUTHORIZED" and the encircled VW emblem, and the independent facilities using the wording including "INDEPENDENT", the silhouette of a Volkswagen, with an important aspect being the *absence* of the word "authorized" and the encircled VW em-

blem. In many instances, also, the independents advertise that they repair other brands of foreign automobiles other than Porsche, which in itself, distinguishes them from the authorized Volkswagen agencies.

**U. "Volkswagen Service" Is Descriptive and Not Proprietary.**

The uncontradicted evidence clearly establishes that the words "Volkswagen Service" means nothing more than that the advertiser services Volkswagens, and it does not indicate that the advertiser is either authorized or unauthorized. It does not give anyone a clue that the service is being provided by an authorized dealer. The viewer would have no way of knowing by seeing merely those two words [RT 601, line 13, to 602, line 6]. There is no evidence to the contrary. It is inconceivable that the terminology "Volkswagen Service", or "Volkswagen Repair", or "Volkswagen Repair & Service", or "VW Service," or "VW Repair & Service," could mean anything other than a description of the nature of the service or repair rendered, *i.e.*, that the person displaying such phraseology services and/or repairs Volkswagens. The terminology is purely descriptive and not proprietary.

All one need do is to drive up and down the streets of any community and look at the advertisements of various types of automobile repair and service facilities. Such an observation would reveal that Volkswagen is not the only one that advertises by use of the terminology, in part, "SERVICE". Examples of what might be found would be: "VOLKSWAGEN REPAIR", or MG SERVICE", "JAGUAR SERVICE", "MERCEDES BENZ SERVICE", "PORSCHE SERVICE", and any one of the multitudes of different

car names in connection with the word "service" or "repair" as well as the statement "auto repair" or "auto service", used by facilities that do not specialize. It is inconceivable that in the total absence of evidence to support its position plaintiff herein seeks to obtain an exclusive right in the terminology "Volkswagen Service", or Volkswagen Repair".

#### IV.

#### COMMENTS ON PLAINTIFF'S "SPECIFICATION OF ERRORS RELIED UPON".

##### A. Specification I.

It is not contended by Church that his use of the word "Volkswagen" as part of his business name in 1958 and part of 1959 was proper. However, such use was terminated in 1959 [RT 869, line 6, to 871, line 10; RT 871, lines 11-17; Pltf. Ex. 13]. For approximately five years after he changed his business name, each and every use by Church of the word "Volkswagen" or the initials "VW" have been a denotive sense and not susceptible to public confusion or deception. It is within the exclusive purview of the trial court to determine issues of fact, which determination should not be reversed except in the absence of a scintilla of evidence to support the finding. Here, a simple examination of the exhibits clearly support the trial court's finding that none of the practices of Church enumerated in the findings, individually or collectively infringe any of the rights of plaintiff [Compare Deft. Exs. B-1, B-2, B-3, F, N, G,; Pltf. Exs. 11a through 11g, 14, 15, 16, 17, 18, 19a through 19d, 20, 21, 22, all of the foregoing being exhibits of Church's practices, with Deft. Exs. A-1 through A-5, L-1, through L-5, M-1, M-2; Pltf. Exs. 69a, 69c, 69d, 69f, 69g, 69h, 69i, 69j, 69k, being exhibits of au-

thorized Volkswagen agence premises, signs, and related material. Also, compare the foregoing with Deft. Exs. O-1 through O-14, L-6, L-7, Q, R, S, T, U, I, V-1 through V-5, being exhibits concerning other independent repair and service facilities and advertisements of both authorized and independent facilities]. In this specification the conclusion of law is based upon a wealth of facts in evidence.

### **B. Specification II.**

The trial court found that the use by Church of the quoted terminology in this specification was "denotive" and not, as plaintiff erroneously contends, proprietary. Again, an examination of the exhibits listed above when taken in their respective entireties and not merely as words written on a piece of paper, support the position of the trial court [See particularly Deft. Exs. B-1, B-2, B-3, F, N, G, and Pltf. Exs. 11a through 11g, 14, 15, 16, 17, 18, 19a through 19d, 20, 21, and 22].

### **C. Specification III.**

The evidence was uncontradicted that the meaning of the wording "Volkswagen Service" and "VW Service" indicates nothing more than that the advertiser services Volkswagens. It does not indicate that the user is "authorized" or "independent" [RT 601, line 13, to 602, line 6]. An additional 300 plus witnesses would have similarly testified had the trial court permitted [RT 655, line 24, to 666, line 20; RT 1111, line 21, to 1112, line 17]. Thus, the trial court properly found that such terminology was denotive and not proprietary.

### **D. Specification IV.**

In this satisfaction plaintiff suggests that Church failed to discharge the affirmative duty to take "rea-

sonble" precautions to avoid public confusion. The record adequately supports the position taken by the trial court in view of the express language adopted by Church in connection with his telephone classified ads [Pltf. Exs. 11c through 11g; Deft. Ex. F]; the size, shape and color combinations on his building [Deft. Ex. B-1]; the size, shape, color combinations, and content of his pole sign [Deft. Ex. B-2; Pltf. Exs. 14 and 15]; his give-aways [Pltf. Exs. 21, 22, 24, 25, and 26]; and repair order forms [Pltf. Ex. 18]. Not only did Church use denotive wording ("Volkswagen Repair", "VW Service", etc.), but went a step further to aid the public in locating an *independent* Volkswagen and Porsche service center.

### E. Specifications V and IX.

These specifications are related and may be answered as a unit. Church, at the request of plaintiff, changed his business name to "Modern Specialist" [RT 871, line 22, to 872, line 3]. This alone, is an example of Church's willingness to act so as not to infringe upon the rights of plaintiff, and, further, demonstrated good faith. The fact that over the several years that elapsed prior to the filing of this action in mid-1964, Church did not change his non-offending business name evidences an intent to avoid future violative conduct.

In addition to the above, he adopted a basic banner "AN INDEPENDENT VOLKSWAGEN & PORSCHE SERVICE CENTER" and prominently displayed same in his classified telephone book ad. His give-aways all bear similar language.

Lastly, although he was certainly not required to do so, he removed the word "Volkswagen", from his pole sign, and replaced the word "Modern" with the word "Independent" on the sign over his garage doors.

These two changes were made at about the same time that this action was filed, but are in no way concessions that the prior signs were legally offending. They were merely additional acts by Church to placate plaintiff.

#### F. Specification VI.

An examination of the two napkins in evidence will demonstrate the color and content differences. Compare the example of a napkin used by authorized Volkswagen agencies [Pltf. Ex. 69i] with that used by Church [Pltf. Ex. 24].

#### G. Specification VII.

By this specification, plaintiff would have the court conclude as a matter of law that plaintiff has the exclusive right to the use of "blue and white" color schemes, "or Memphis Bold style of lettering". The quotation herein is in the disjunctive (by use of the word "or") and not conjunctive. Plaintiff fails to realize that the law requires the trier of fact to look at the entirety of each act alleged to constitute a trademark infringement or an act of unfair competition, and not limit its investigation to (1) the colors used, or (2) the style of print. If an independent Volkswagen repair shop painted its building black, but used Memphis Bold style type on its sign to scribe its business name "Bill's Auto Repair", this would be a violation *per se* of plaintiff's rights under plaintiff's theory. Similarly, if an independent Volkswagen repair shop painted its building navy blue with white trim, using the business name, "John's Repair Shop" in other than Memphis Bold style type (and not confusingly similar thereto), he would be in violation *per se* under plaintiff's theory, even though the word "Volkswagen" or the initials "VW", or any other indicia of speciality did

not on the premises. Lastly, even if "John's Repair Shop" used Memphis Bold style print without any other indicia of specialty (*i.e.*, conjunctive use), it is inconceivable that a violation *per se* would exist.

These examples merely point out the error of plaintiff's position in this specification.

The test has already been set out in the first few paragraphs of II, above. See *Dodge Bros. v. East, supra*, *Ford Motor Co. v. Boone, supra*, and *Ford Motor Co. v. Helms, supra*.

#### H. Specifications VIII, X, and XI.

These specifications of error would only be valid if the facts in evidence were other than as they are. Church has no comment in regard to these specifications except to state that the issuance of injunctive relief is discretionary with the trial court, and, absent grounds warranting issuance, should not be levied.

#### Summary.

Historically, and to date, the use of the word "INDEPENDENT" in connection with business advertisements has come to have an independent significance. The word "INDEPENDENT" indicates that the advertiser is in no way enfranchised by the manufacturer of the product. Similarly, the word "AUTHORIZED" has come to have an independent significance and indicates that the advertiser is enfranchised by the manufacturer of the product.

The advertisements adopted by Church in the instant case, exemplified by his classified telephone directory ad stating that he is "AN INDEPENDENT VOLKSWAGEN & PORSCHE SERVICE CENTER" clearly spells out the fact that he is not enfranchised by the manufacturer of either Volks-

wagen or Porsche. Looking at that advertisement, and deleting the words "Volkswagen" and "Porsche", the phraseology would be "AN INDEPENDENT SERVICE CENTER". This terminology simply indicates that the advertiser, in the instant case "Modern Specialist," is an unenfranchised service center not specializing in the repair of any particular make of car. The addition of the words "VOLKSWAGEN" and "PORSCHE" merely add to the advertisement that the unenfranchised service center specializes in the repair of Volkswagen and Porsche cars. Whether the word "VOLKSWAGEN" is used in the advertisement or the initials "VW" makes no difference, since the same meaning is present. Similarly, whether the explanation commences with the word "AN" or "YOUR" makes no difference because the meaning would not be changed. The fact that Church in the instant case had adopted the terminology "SERVICE CENTER" may aggrieve the plaintiff because it implies that the advertiser, Modern Specialist, is an unenfranchised "center" for service to plaintiff's product line, is of no consequence. Plaintiff must stand up under the fair competition of its independent competitors, even though it may not like competition.

Historically, plaintiff's family of authorized Volkswagen agencies have used the word "VOLKS-WAGEN" in a thirty seven foot spread-out sign in blue and white Memphis Bold letters across the front of their premises. Factually, the length of the sign would depend upon the available space which would be governed by the length of the building front. In any event, the testimony is unquestionable in this regard, and, in addition, Volkswagen agencies use the encircled VW emblem and the word "AUTHORIZED" to designate their identity as franchised representatives of plaintiff. All of the Volkswagen agen-

cies in the Volkswagen Pacific area (Southern California, southern Nevada, Arizona, excluding Hawaii—for some reason plaintiff did not care to include Hawaii in its testimony), use only the blue and white exterior color combinations, the blue and white signs, and the blue and white emblems. No other color combination is used within this area. Similarly, nowhere in the United States is there an authorized Volkswagen repair and service facility which is not operated in connection with a new car sales agency. All enfranchised Volkswagen agencies have new car sales rooms, and, in addition, used car facilities. Plaintiff's family is not under an affirmative duty to use the word "AUTHORIZED" or the encircled VW emblem, though it has historically done so and created the image in the public's mind, but if the agencies do not so use, they run the risk that the public will think the non-user is an independent.

In the instant case, Church does not use the blue and white color combinations on his building, his signs, or in his classified telephone directory ads, repair order forms or plastic litter bag. The give-aways which he uses, the ballpoint pen and pencil, the matchbook covers, and the paper napkins, have blue lettering on a white background. However, plaintiff has no exclusive rights to this color combination alone. The qualifying wording which appears on the give-aways, clearly spell out that Church is an independent Volkswagen service facility. Each such exhibit in evidence must be weighed as an independent whole. Why are the photographs which plaintiff has introduced into evidence as showing the premises of authorized agencies in black and white instead of color? Apparently, plaintiff does not wish to emphasize the fact that there is a great difference in appearance between the authorized

agency premises, signs and trucks, and those of Church. Without a color comparison, the court is deprived of valuable evidence.

In "PLAINTIFF'S PRE-TRIAL MEMORANDUM OF POINTS AND AUTHORITIES" [CT 232, page 23, lines 13-16] plaintiff states "when he (Church) features the car in his advertising, he is as surely infringing plaintiff's trademark as he would be if he featured the word "Volkswagen" *alone and in isolation.*" (Emphasis added). With this contention, Church cannot disagree. However, it is obvious from an examination of all of the exhibits, that Church does not use the word "Volkswagen", nor the silhouette of a Volkswagen, "*alone and in isolation.*" Thus, adopting the converse of the quoted statement—if the word or silhouette were not used alone or in isolation, no infringement would be present, each and every advertisement which has been used by Church for several years prior to the institution of this lawsuit has not constituted unfair competition to plaintiff.

At the most, Church's business name adopted in 1958 and used for approximately one and a half years, "Modern Volkswagen & Porsche Service", might have infringed upon plaintiff's trade name. This would be so because Church used the word "Volkswagen" not in a denotive sense but rather in a proprietary sense as part of the name of his business. However, when the matter was brought to his attention by plaintiff, and after the negotiations between the various attorneys involved, Church promptly changed the name of his business to "MODERN SPECIALISTS". He changed the name in his classified telephone directory advertisement, on his repair order forms, on the side of his truck, and in all other places where the prior name of his business had been displayed. The objec-

tionable business name has not been used by Church since 1959.

Plaintiff has objected to the use of the word "Volkswagen service," but nowhere does Church use those words alone. He does advertise "Volkswagen Porsche service," and has so advertised on the side of his truck since he changed the name of his business. After plaintiff persisted in harassing him, he added the word "INDEPENDENT" on his truck so that it has read "INDEPENDENT VOLKSWAGEN PORSCHE SERVICE" for over a year prior to the institution of the instant lawsuit.

At no time has Church used the encircled VW emblem. Further, at no time has Church used Memphis bold type in any advertisements, nor any type substantially similar thereto.

The court has the discretion in issuing an injunction. In the various Volkswagen cases cited by plaintiff, the courts have issued injunctions. In each case, however, the defendant was involved in the sale of the Volkswagen product line and committed gross abuses right up to the time of trial, and, presumably, until the injunctions were issued. In the instant case, however, the only possible act of unfair competition committed by Church was that of including in his initial firm name the word "Volkswagen" in 1958 and part of 1959, over four years prior to the institution of this lawsuit. Church has, therefore, demonstrated his good faith and intentions for several years, presenting a factual circumstance to the court justifying the denial of an injunction.

The test which the court should apply in examining any of the exhibits in evidence comprising advertisements used by Church should be that of the average prospective customer. Church does not have to adver-

tise in such a manner as to preclude "everyone in the world" from possibly making an error in determining whether he is enfranchised by plaintiff. Church need only advertise in a manner which is reasonably designed to prevent the likelihood of public confusion.

Church does not care to capitalize on the reputation of plaintiff, since that reputation in the Southern California area for the repair and service rendered by plaintiff's authorized family of Volkswagen agencies is not too savory. Plaintiff's reputation for manufacturing a cheap, popular car is excellent. The success of Church in his business has been built around the good service and repair rendered by him to the vehicles manufactured by plaintiff. There have been no instances of public confusion regarding any of the advertisements adopted by Church, *including* the only possible infringing conduct of Church when he included the word "Volkswagen" in his business name back in 1958. Although the lack of public confusion is not to be given a great deal of weight, it is evidence thereof and should be considered by the court.

It is also reasonable to believe, in view of the testimony of Mr. Weill, Executive Vice-President of Volkswagen Pacific, Inc., that due to the great number of complaints received by him concerning service and repair rendered by *authorized* Volkswagen agencies in the Volkswagen Pacific area, that a good deal of Church's success has been the result of *the public's desire to seek out independent repair and service facilities and patronize them.* If this is true, and we have every reasonable right to believe that it is, then it would be a *disservice to the public* to not permit Church to advertise that he is "AN INDEPENDENT VOLKSWAGEN AND PORSCHE SERVICE CENTER." The public is entitled to have a selection.

Plaintiff would prefer that the only selection presented to the public be as between authorized Volkswagen agencies. This would be contrary to the public policy which encourages fair competition.

Whether the court adopts Federal Law or California State Law makes very little difference, since both are the same with the exception of the incontestability provisions found in the Federal Law of Trademarks.

**Conclusion.**

For the foregoing reasons, Church respectfully requests that this court uphold the judgment of the trial court.

November 29, 1967.

Respectfully submitted,

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**Certificate.**

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

ROBERT N. CLEAVES

